

HORMEL FOODS CORPORATION

LONG-TERM HOG PROCUREMENT AGREEMENT I

This Long-Term Hog Procurement Agreement I ("Agreement") is made and entered into by and between the undersigned producer of hogs ("Producer") and Hormel Foods Corporation, with its principal offices in Austin, Minnesota ("Hormel Foods"). Hormel Foods desires to obtain butcher hogs from Producer, who wishes to participate in a long-term commitment program. Under this program, Hormel Foods will pay Producer an established hog production cost plus an agreed upon factor, called the "Guaranteed Minimum Price". In exchange, when the prior week's average market price, called the "Contract Base Price", exceeds the Guaranteed Minimum Price, Hormel Foods will retain one-half (1/2) the difference between the prices and pay Producer the balance of the Contract Base Price.

1. TERM. The term of this Agreement is for a period of seven (7) years from the date of receipt of the first hogs delivered under this Agreement, subject to extension pursuant to paragraph 5.(a). Both parties recognize that Hormel Foods' payment of a Guaranteed Minimum Price is conditioned upon Producer remaining in the program and performing under this Agreement for the entire term of the contract.
2. PRICE.
 - (a) The "Guaranteed Minimum Price" shall be equal to the sum of the price per live cwt. determined based on costs of corn and soymeal as set forth in the attached Cost Allowance Matrix plus Five Dollars (\$5.00) per live cwt. As shown in the Cost Allowance Matrix, costs will be subject to weekly changes based on an eight (8) week moving average of Omaha corn and Decatur/Central Illinois 44% soymeal prices. The Cost Allowance Matrix is for plant delivered hogs.
 - (b) The Cost Allowance Matrix will not change during the contract term except if:
 - (1) corn and soybean quotes are no longer reliable or indicative of actual corn and soymeal markets; or
 - (2) changes in production practices occur such as the use of Beta Agonist, PST, other feed additives or medications, implementation of new equipment or facilities or any other change which has an impact on production costs; or
 - (3) any other unpredictable circumstances that affect the Cost Allowance Matrix; or
 - (4) based upon a regular annual review by Hormel Foods, the Cost Allowance Matrix is determined to no longer accurately reflect hog production efficiencies and costs.
 - (c) The "Contract Base Price" shall be the average of the prior week's (Monday - Friday) daily 10:00 a.m. Hormel Foods' Grade & Yield plant delivered hog prices.

- (d) Every Friday afternoon, Hormel Foods shall determine the "Contract Price" for hogs delivered to Hormel Foods during the upcoming week (the following Sunday through Saturday) as follows:
- (1) Hormel Foods will calculate the Guaranteed Minimum Price and the Contract Base Price as set forth above.
 - (2) If the Contract Base Price is less than or equal to the Guaranteed Minimum Price, then the Contract Price shall be equal to the Guaranteed Minimum Price.
 - (3) If the Contract Base Price is greater than the Guaranteed Minimum Price, then the Contract Price shall be equal to the midpoint between the Contract Base Price and the Guaranteed Minimum Price.
 - (4) For hogs delivered to buying stations, the plant delivered Contract Price will be adjusted by the station delivered freight discount in effect at the time of delivery.
 - (5) Refer to Exhibit A for examples of determining the Contract Price.
- (e) The Contract Price will then be used in connection with Hormel Foods' Grade & Yield program in effect at the time of delivery to determine the final amount to be paid to Producer. Grade & Yield premiums and discounts shall be paid to the Producer on the basis of the Contract Base Price calculated in paragraph 2.(c).

3. HORMEL FOODS' OBLIGATIONS.

- (a) Hormel Foods agrees to pay Producer on a guaranteed minimum basis as set forth in paragraph 2. for the entire term of the Agreement.
- (b) Inspection, sorting and weighing shall be performed by Hormel Foods at the delivery location or the plant. All hogs delivered under this Agreement must weigh at least two hundred twenty-five (225) pounds. No hogs shall be crippled, lame, sick, overfilled or otherwise unmerchantable at time of delivery. All hogs shall be priced per Hormel Foods' Grade & Yield Buying Program in effect at the time of delivery, which program is subject to change on thirty (30) days' written notice.
- (c) Hormel Foods shall keep all necessary records with respect to the receipt, weighing and payment of all hogs in accordance with its regular record retention and destruction schedule. At the present time, all scale tickets, P&L's and checks are retained for two (2) years. Producer may inspect such records during normal business hours at locations designated by Hormel Foods upon reasonable notice by Producer to Hormel Foods. Hormel Foods shall supply copies of such records as Producer may reasonably request at Producer's expense.

4. PRODUCER'S OBLIGATIONS.

- (a) All hogs delivered hereunder shall be top quality, healthy and wholesome. Producer must have in place a genetic program capable of producing lean, uniform sorted hogs that consistently meet Hormel Foods requirements.

- (b) Producer must have Hormel Foods' approved facilities to farrow and finish hogs year round. All hogs delivered hereunder from week to week must be uniform in size and numbers, and sold on Hormel Foods' Grade & Yield Buying Program. Producer agrees to arrange delivery with Hormel Foods Hog Procurement personnel by Friday of the week prior to delivery. Delivery days and times shall be determined by Hormel Foods, with delivery expected before 8:00 a.m. and/or after 5:00 p.m.

The undersigned Producer hereby estimates that it will supply the following quantity of hogs to Hormel Foods under this program:

hogs per week

This number can be changed from time to time during the term of this Agreement by the mutual consent of the parties. Any change to this number shall be confirmed in writing.

- (c) In addition, Producer agrees to sell to Hormel Foods the balance of its butcher hogs produced in the units furnishing the contracted hogs indicated in paragraph 4.(b). All such hogs must meet Hormel Foods' quality requirements as outlined in paragraph 3.(b) and shall be sold at the Hormel Foods daily quoted Grade & Yield market price in effect upon purchase.

The undersigned Producer estimates this additional quantity of hogs to be:

hogs per week

- (d) Producer's hogs must be supervised by a licensed veterinarian and Producer must properly use any applicable drugs and adhere to required withdrawal procedures thereto. Producer must be on the Pork Quality Assurance Program, a HACCP program of America's Pork Producers. Producer must be at Level III of such Program or obtain Level III of such Program within six months of the date of this Agreement.
- (e) Producer must use an approved feeding program and Hormel Foods may inspect Producer's hogs and facilities during reasonable business hours on reasonable notice to Producer. The use of Hormel Foods' feed is not required, but the Producer agrees to listen objectively to Hormel Foods' feed presentations.
- (f) Producer must at all times be able to demonstrate its financial soundness to Hormel Foods and to provide evidence thereof upon the request of Hormel Foods. Producer must demonstrate at all times the ability to produce hogs in the quantity and of the quality required during the term of this Agreement. Hormel Foods shall have access to cost and financial records of Producer under this Agreement subject to reasonable notice from Hormel Foods to inspect during normal business hours. Producer must also use an approved cost and recordkeeping system.
- (g) Producer agrees to execute and deliver to Hormel Foods from time to time, as requested by Hormel Foods in its discretion, such security agreements, financing statements under the Uniform Commercial Code and other instruments as may be necessary or appropriate to grant Hormel Foods a security interest in tangible assets of Producer. The fair market value of such tangible assets shall be sufficient to secure Producer's obligations under this Agreement and shall be at

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least equal to Hormel Foods' projected negative cash position with Producer. Such security interest shall be on written terms reasonably satisfactory to Hormel Foods.

5. OPTION TO EXTEND CONTRACT.

- (a) If Hormel Foods is in a negative cash position with Producer, as defined below, at the end of the initial seven-year term of this Agreement, Hormel Foods may by written notice to Producer elect to extend the Agreement until such time as Hormel Foods' negative cash position has been eliminated; provided that such extended term shall be no longer than five (5) years in any event. "Negative cash position" means that the aggregate amount that Hormel Foods has paid to Producer for hogs purchased from Producer under this Agreement exceeds the total market value, based on Contract Base Prices, of those same hogs. During the extended term of this Agreement, (1) Hormel Foods may terminate this Agreement by written notice to Producer at any time Hormel Foods is in a negative cash position, and (2) Producer may terminate this Agreement by written notice to Hormel Foods at any time by making a cash payment to Hormel Foods sufficient to eliminate Hormel Foods' negative cash position.
 - (b) If Hormel Foods is in a positive cash position with Producer, as defined below, at the end of the initial term of this Agreement, Producer may by written notice to Hormel Foods elect to extend the Agreement until such time as Hormel Foods' positive cash position has been eliminated; provided that such extended term shall be no longer than five (5) years in any event. "Positive cash position" means that the aggregate amount that Hormel Foods has paid to Producer for hogs purchased from Producer under this Agreement is less than the total market value, based on Contract Base Prices, of those same hogs. During the extended term of this Agreement, (1) Producer may terminate this Agreement by written notice to Hormel Foods at any time Hormel Foods is in a positive cash position, and (2) Producer may terminate this Agreement by written notice to Hormel Foods at any time by making a cash payment to Hormel Foods sufficient to eliminate Hormel Foods' negative cash position.
 - (c) The provisions in paragraphs 5.(a) and 5.(b) are subject to the following restrictions:
 - (1) Any extension to the Agreement shall be governed by the terms of the basic Long-Term Hog Procurement Agreement being offered by Hormel Foods at the time of the extension or, if there is no such agreement being offered by Hormel Foods at that time, by the terms of the basic Long-Term Hog Procurement Agreement most recently offered by Hormel Foods at the time of the extension; and
 - (2) Hormel Foods reserves the right to terminate this Long-Term Procurement program in its entirety at any time after the initial contract term has ended, and upon such a termination any extension previously made under paragraph 5.(a) or 5.(b) shall likewise be terminated, and the parties shall be released from any further obligation to participate in the program.
6. DEFAULT. If Producer defaults in its obligation to deliver hogs in the quantity and of the quality required hereunder, or if Producer otherwise breaches this Agreement in any way, Producer shall indemnify and hold Hormel Foods

harmless against any losses, claims or lawsuits caused by said default or breach. Hormel Foods shall be entitled to offset any losses under this provision against any amounts due and owing to Producer until such unpaid costs have been satisfied.

7. NO SECURITY INTERESTS OR LIENS IN HOGS. Producer hereby represents to Hormel Foods that all hogs delivered under this Agreement are free and clear of all security interests and liens of any kind whatsoever, except as specifically provided in a written notice given to Hormel Foods at least thirty (30) days prior to delivery. In the event hogs delivered under this Agreement are subject to any security interest or lien, Hormel Foods may make payments jointly to Producer and the secured party or lien holder.
8. VOLUNTARY AGREEMENT; NO GUARANTEE OF PROFIT. Producer acknowledges that it has voluntarily entered into this Agreement on its own accord and that it has had adequate opportunity to consult with its own attorney and accountant regarding all legal, accounting and tax consequences relating to this Agreement. Producer acknowledges that Hormel Foods and its agents make no representation or guarantee of any kind whatsoever regarding the profitability of this Agreement to Producer.
9. CONFIDENTIALITY. Hormel Foods and Producer agree to keep the existence of this Agreement and all of its terms, including without limitation the price of hogs, in strict confidence.
10. FORCE MAJEURE. Neither party shall be liable for damages due to delay or failure to perform any obligation under this Agreement if such delay or failure results directly or indirectly from acts of war, civil commotions, riots, strikes, lockouts, acts of any government or governmental authority, interference in telephone communications, fire, flood, windstorms, or other acts of God, or any cause of a like or different kind beyond the reasonable control of such party.
11. TERMINATION. This Agreement is subject to termination by Hormel Foods in the event of a default or at any time if Hormel Foods discontinues the slaughtering of hogs.
12. WAIVER. The failure of either party to enforce any of the provisions of this Agreement, or to exercise any option which is herein provided, or to require at any time performance by the other party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way affect the validity of this Agreement or any part thereof, or the right of either party to thereafter enforce each and every such provision.
13. LIMIT OF AUTHORITY. Except as provided in this Agreement, it is agreed that neither party is in any way the legal representative or agent of the other party for any purpose whatsoever. Neither party has the right or authority to assume or create any obligation of any kind, expressed or implied, on behalf of the other party.
14. NONEXCLUSIVITY. This Agreement shall not be exclusive to Producer but instead may be offered by Hormel Foods to other qualified, like-situated producers in Hormel Foods' buying area.

15. SUCCESSOR RESPONSIBILITY. Any assignment, sale or transfer of Producer's interests in its hog farming operation must include notice to the assignee that the assignment/transfer is subject to the terms and conditions of the Long-Term Hog Procurement Agreement with Hormel Foods, and a copy of this Agreement shall be provided to the assignee. The obligations of this provision shall also apply with equal force to the transfer of Producer's interests to his or her heirs, whether as a result of death, disability or for any other reason.
16. ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes the entire agreement among the parties and supersedes any prior oral or written agreement or understanding between them with respect to the subject matter hereof. This Agreement may not be amended or supplemented except by a writing signed by both of the parties.
17. GOVERNING LAW. This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Minnesota without regard to conflict of laws principles.
18. AUTHORIZATION. An individual executing this Agreement on behalf of a corporation, partnership, limited liability company or other entity certifies that he or she is duly authorized to execute this Agreement on behalf of such corporation, partnership, limited liability company or other entity.
19. COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one document.

Agreed to this _____ day of _____ 19____

 ("Producer") [Print Name]

HORMEL FOODS CORPORATION
("Hormel Foods")

By: _____

By: _____

Its: State "Individual" or Title

Its:

Address: _____

Address: 1 Hormel Place
Austin, MN 55912-3680

WEEKLY HOG ESTIMATE MUST BE WRITTEN IN APPROPRIATE BLANK IN
PARAGRAPH 4.(b) FOR THIS CONTRACT TO BE VALID.

IF THE PRODUCER IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER ENTITY, ITS SHAREHOLDERS, MEMBERS OR OTHER OWNERS MUST EXECUTE THE FOLLOWING GUARANTY:

Contract No.

GUARANTY OF PERFORMANCE

In consideration of and as a material inducement to Hormel Foods Corporation to enter into the foregoing Long-Term ~~Procurement~~ ^{Log} Procurement Agreement I with Producer (such Agreement and any modification, extension and amendment thereof, collectively the "Agreement"), the undersigned individual Guarantors agree as follows:

1. The Guarantors hereby guarantee the satisfactory performance by Producer of the Agreement in accordance with all its terms and conditions. If Producer defaults in performance of its obligations under the Agreement, the Guarantors shall be jointly and severally liable for any and all losses, damages, costs and reasonable expenses caused Hormel Foods by reason of such default.
2. This Guaranty is a continuing one and shall terminate only on the satisfaction of each and every obligation of Producer under the Agreement.
3. The Guarantors waive any right to notices which may be required by law, including without limitation notice of acceptance of this Guaranty, notice of any modification, extension and amendment of the Agreement, and notice of any default by Producer.
4. This Guaranty shall inure to the benefit of Hormel Foods and its successors and assigns and be binding upon the Guarantors and their successors and assigns.
5. This Guaranty and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Minnesota without regard to conflict of laws principles.

IN WITNESS WHEREOF, the Guarantors have executed this Guaranty on this _____ day of _____, 19_____.

Signed: _____

[Print Name]

Address: _____

Signed: _____

[Print Name]

Address: _____

Signed: _____

[Print Name]

Address: _____

Signed: _____

[Print Name]

Address: _____

LONG-TERM HOG PROCUREMENT AGREEMENT

CONTRACT PRICE DETERMINATION FOR PLANT DELIVERED HOGS:

For ease of understanding examples are in both live prices and carcass prices. However for payment purposes only carcass prices are quoted and used.

Example A:

- 1) These examples are for hogs delivered the week of April 26 through May 1, 1993. First determine the daily average of the prior week's 10:00 a.m. Hormel Foods' Grade and Yield Plant Delivered Market.

<u>DAY</u>	<u>DATE</u>	<u>LIVE MARKET</u>	<u>MEAT PRICE</u>
Monday	04/19/93	\$45.50	\$62.32
Tuesday	04/20/93	\$45.50	\$62.32
Wednesday	04/21/93	\$46.00	\$63.01
Thursday	04/22/93	\$45.00	\$61.64
Friday	04/23/93	\$45.00	\$61.64
<u>Weekly Average</u>		<u>\$45.40</u>	<u>\$62.19</u>

- 2) Determine 8 week moving average of Omaha corn and Decatur/Central Ill. 44% Soybean Meal. These averages are based on the 8 weeks prior to the previous week. Round corn to the closest \$0.10 per bushel and meal to the closest \$10.00 per ton.

<u>W/E</u>	<u>OMAHA CORN</u>	<u>DECATUR/ CENTRAL ILL 44% MEAL</u>
02/27/93	\$2.02	\$166.50
03/06/93	\$2.07	\$169.30
03/13/93	\$2.10	\$168.50
03/20/93	\$2.11	\$172.25
03/27/93	\$2.15	\$175.30
04/03/93	\$2.17	\$177.30
04/10/93	\$2.18	\$175.75
04/17/93	\$2.19	\$175.00
<u>AVERAGE</u>	<u>\$2.12</u>	<u>\$172.49</u>
<u>ROUNDED</u>	<u>\$2.10</u>	<u>\$170.00</u>

- 3) Determine Guaranteed Minimum Price.

From the Cost Allowance Matrix find the value for \$2.10 corn and \$170 meal.

	<u>LIVE MARKET</u>	<u>MEAT PRICE</u>
Matrix Value	\$36.50	\$50.00
Plus \$5.00 Live, \$6.85 Meat	\$5.00	\$6.85
<u>Guaranteed Minimum Price</u>	<u>\$41.50</u>	<u>\$56.85</u>

- 4) Determine Contract price.

Since last week's average price is greater than the guaranteed minimum price, the midpoint between last week's average price and the guaranteed minimum becomes the contract price.

	<u>LIVE MARKET</u>	<u>MEAT PRICE</u>
Last Week's Average Price	\$45.40	\$62.19
Guaranteed Minimum Price	\$41.50	\$56.85
<u>Contract Price</u>	<u>\$43.45</u>	<u>\$59.52</u>

All Grade & Yield premiums shall be paid to the Producer and calculated at last week's average plant delivered meat price (\$62.19 in this example).

Example A is an example when last week's average price is greater than the guaranteed minimum price.

Example B:

- 1) Assume the daily average of the prior week's 11:00 a.m. Hormel Foods' Grade and Yield Plant Delivered Market is \$35.00.
- 2) Use \$2.10 for corn and \$170.00 for meal as in Example A.
- 3) Guaranteed Minimum Price is \$41.50 as in Example A.
- 4) Determine Contract price.
Since last week's average price is less than the guaranteed minimum price, the guaranteed minimum price becomes the contract price.

	<u>LIVE MARKET</u>	<u>MEAT PRICE</u>
Last Week's Average Price	\$35.00	\$47.94
Guaranteed Minimum Price	\$41.50	\$56.85
<u>Contract Price</u>	<u>\$41.50</u>	<u>\$56.85</u>

All Grade & Yield premiums shall be paid to the Producer and calculated at last week's average plant delivered meat price (\$47.94 in this example).

Example B is an example when last week's average price is less than the guaranteed minimum price.

CONTRACT PRICE DETERMINATION FOR STATION DELIVERED HOGS

Examples A and B are for plant delivered hogs; station delivered hogs will be discounted by the station delivered freight discount in effect at the time of delivery. The following calculations use the current (08/25/97) freight discount of \$0.75 per carcass cwt.

	<u>CONTRACT PRICES</u>		
	<u>Plant</u> <u>Live</u> <u>Price</u>	<u>Plant</u> <u>Meat</u> <u>Price</u>	<u>Station</u> <u>Meat</u> <u>Price</u>
Example A	\$43.45	\$59.52	\$58.77
Example B	\$41.50	\$56.85	\$56.10

	<u>LAST WEEK'S AVERAGE PRICES</u>		
	<u>Plant</u> <u>Live</u> <u>Price</u>	<u>Plant</u> <u>Meat</u> <u>Price</u>	<u>Station</u> <u>Meat</u> <u>Price</u>
Example A	\$45.40	\$62.19	\$61.44
Example B	\$35.00	\$47.94	\$47.19

Cost Allowance Matrix -- \$ per Live Cwt.

PLANT DELIVERED HOGS

Use 8 week moving average of Omaha Corn, round to closest \$0.10/bu.

Use 8 week moving average of Decatur/Central Ill. meal, round to closest \$10.00 per ton.

44% Soymeal

Corn	\$130	\$140	\$150	\$160	\$170	\$180	\$190	\$200	\$210	\$220	\$230	\$240	\$250	\$260	\$270	\$280	\$290	\$300
\$1.40	\$31.40	\$31.80	\$32.20	\$32.60	\$33.00	\$33.40	\$33.80	\$34.20	\$34.60	\$35.00	\$35.40	\$35.80	\$36.20	\$36.60	\$37.00	\$37.40	\$37.80	\$38.20
\$1.50	\$31.90	\$32.30	\$32.70	\$33.10	\$33.50	\$33.90	\$34.30	\$34.70	\$35.10	\$35.50	\$35.90	\$36.30	\$36.70	\$37.10	\$37.50	\$37.90	\$38.30	\$38.70
\$1.60	\$32.40	\$32.80	\$33.20	\$33.60	\$34.00	\$34.40	\$34.80	\$35.20	\$35.60	\$36.00	\$36.40	\$36.80	\$37.20	\$37.60	\$38.00	\$38.40	\$38.80	\$39.20
\$1.70	\$32.90	\$33.30	\$33.70	\$34.10	\$34.50	\$34.90	\$35.30	\$35.70	\$36.10	\$36.50	\$36.90	\$37.30	\$37.70	\$38.10	\$38.50	\$38.90	\$39.30	\$39.70
\$1.80	\$33.40	\$33.80	\$34.20	\$34.60	\$35.00	\$35.40	\$35.80	\$36.20	\$36.60	\$37.00	\$37.40	\$37.80	\$38.20	\$38.60	\$39.00	\$39.40	\$39.80	\$40.20
\$1.90	\$33.90	\$34.30	\$34.70	\$35.10	\$35.50	\$35.90	\$36.30	\$36.70	\$37.10	\$37.50	\$37.90	\$38.30	\$38.70	\$39.10	\$39.50	\$39.90	\$40.30	\$40.70
\$2.00	\$34.40	\$34.80	\$35.20	\$35.60	\$36.00	\$36.40	\$36.80	\$37.20	\$37.60	\$38.00	\$38.40	\$38.80	\$39.20	\$39.60	\$40.00	\$40.40	\$40.80	\$41.20
\$2.10	\$34.90	\$35.30	\$35.70	\$36.10	\$36.50	\$36.90	\$37.30	\$37.70	\$38.10	\$38.50	\$38.90	\$39.30	\$39.70	\$40.10	\$40.50	\$40.90	\$41.30	\$41.70
\$2.20	\$35.40	\$35.80	\$36.20	\$36.60	\$37.00	\$37.40	\$37.80	\$38.20	\$38.60	\$39.00	\$39.40	\$39.80	\$40.20	\$40.60	\$41.00	\$41.40	\$41.80	\$42.20
\$2.30	\$35.90	\$36.30	\$36.70	\$37.10	\$37.50	\$37.90	\$38.30	\$38.70	\$39.10	\$39.50	\$39.90	\$40.30	\$40.70	\$41.10	\$41.50	\$41.90	\$42.30	\$42.70
\$2.40	\$36.40	\$36.80	\$37.20	\$37.60	\$38.00	\$38.40	\$38.80	\$39.20	\$39.60	\$40.00	\$40.40	\$40.80	\$41.20	\$41.60	\$42.00	\$42.40	\$42.80	\$43.20
\$2.50	\$36.90	\$37.30	\$37.70	\$38.10	\$38.50	\$38.90	\$39.30	\$39.70	\$40.10	\$40.50	\$40.90	\$41.30	\$41.70	\$42.10	\$42.50	\$42.90	\$43.30	\$43.70
\$2.60	\$37.40	\$37.80	\$38.20	\$38.60	\$39.00	\$39.40	\$39.80	\$40.20	\$40.60	\$41.00	\$41.40	\$41.80	\$42.20	\$42.60	\$43.00	\$43.40	\$43.80	\$44.20
\$2.70	\$37.90	\$38.30	\$38.70	\$39.10	\$39.50	\$39.90	\$40.30	\$40.70	\$41.10	\$41.50	\$41.90	\$42.30	\$42.70	\$43.10	\$43.50	\$43.90	\$44.30	\$44.70
\$2.80	\$38.40	\$38.80	\$39.20	\$39.60	\$40.00	\$40.40	\$40.80	\$41.20	\$41.60	\$42.00	\$42.40	\$42.80	\$43.20	\$43.60	\$44.00	\$44.40	\$44.80	\$45.20
\$2.90	\$38.90	\$39.30	\$39.70	\$40.10	\$40.50	\$40.90	\$41.30	\$41.70	\$42.10	\$42.50	\$42.90	\$43.30	\$43.70	\$44.10	\$44.50	\$44.90	\$45.30	\$45.70
\$3.00	\$39.40	\$39.80	\$40.20	\$40.60	\$41.00	\$41.40	\$41.80	\$42.20	\$42.60	\$43.00	\$43.40	\$43.80	\$44.20	\$44.60	\$45.00	\$45.40	\$45.80	\$46.20
\$3.10	\$39.90	\$40.30	\$40.70	\$41.10	\$41.50	\$41.90	\$42.30	\$42.70	\$43.10	\$43.50	\$43.90	\$44.30	\$44.70	\$45.10	\$45.50	\$45.90	\$46.30	\$46.70
\$3.20	\$40.40	\$40.80	\$41.20	\$41.60	\$42.00	\$42.40	\$42.80	\$43.20	\$43.60	\$44.00	\$44.40	\$44.80	\$45.20	\$45.60	\$46.00	\$46.40	\$46.80	\$47.20
\$3.30	\$40.90	\$41.30	\$41.70	\$42.10	\$42.50	\$42.90	\$43.30	\$43.70	\$44.10	\$44.50	\$44.90	\$45.30	\$45.70	\$46.10	\$46.50	\$46.90	\$47.30	\$47.70
\$3.40	\$41.40	\$41.80	\$42.20	\$42.60	\$43.00	\$43.40	\$43.80	\$44.20	\$44.60	\$45.00	\$45.40	\$45.80	\$46.20	\$46.60	\$47.00	\$47.40	\$47.80	\$48.20
\$3.50	\$41.90	\$42.30	\$42.70	\$43.10	\$43.50	\$43.90	\$44.30	\$44.70	\$45.10	\$45.50	\$45.90	\$46.30	\$46.70	\$47.10	\$47.50	\$47.90	\$48.30	\$48.70
\$3.60	\$42.40	\$42.80	\$43.20	\$43.60	\$44.00	\$44.40	\$44.80	\$45.20	\$45.60	\$46.00	\$46.40	\$46.80	\$47.20	\$47.60	\$48.00	\$48.40	\$48.80	\$49.20
\$3.70	\$42.90	\$43.30	\$43.70	\$44.10	\$44.50	\$44.90	\$45.30	\$45.70	\$46.10	\$46.50	\$46.90	\$47.30	\$47.70	\$48.10	\$48.50	\$48.90	\$49.30	\$49.70
\$3.80	\$43.40	\$43.80	\$44.20	\$44.60	\$45.00	\$45.40	\$45.80	\$46.20	\$46.60	\$47.00	\$47.40	\$47.80	\$48.20	\$48.60	\$49.00	\$49.40	\$49.80	\$50.20
\$3.90	\$43.90	\$44.30	\$44.70	\$45.10	\$45.50	\$45.90	\$46.30	\$46.70	\$47.10	\$47.50	\$47.90	\$48.30	\$48.70	\$49.10	\$49.50	\$49.90	\$50.30	\$50.70
\$4.00	\$44.40	\$44.80	\$45.20	\$45.60	\$46.00	\$46.40	\$46.80	\$47.20	\$47.60	\$48.00	\$48.40	\$48.80	\$49.20	\$49.60	\$50.00	\$50.40	\$50.80	\$51.20
\$4.10	\$44.90	\$45.30	\$45.70	\$46.10	\$46.50	\$46.90	\$47.30	\$47.70	\$48.10	\$48.50	\$48.90	\$49.30	\$49.70	\$50.10	\$50.50	\$50.90	\$51.30	\$51.70
\$4.20	\$45.40	\$45.80	\$46.20	\$46.60	\$47.00	\$47.40	\$47.80	\$48.20	\$48.60	\$49.00	\$49.40	\$49.80	\$50.20	\$50.60	\$51.00	\$51.40	\$51.80	\$52.20
\$4.30	\$45.90	\$46.30	\$46.70	\$47.10	\$47.50	\$47.90	\$48.30	\$48.70	\$49.10	\$49.50	\$49.90	\$50.30	\$50.70	\$51.10	\$51.50	\$51.90	\$52.30	\$52.70
\$4.40	\$46.40	\$46.80	\$47.20	\$47.60	\$48.00	\$48.40	\$48.80	\$49.20	\$49.60	\$50.00	\$50.40	\$50.80	\$51.20	\$51.60	\$52.00	\$52.40	\$52.80	\$53.20
\$4.50	\$46.90	\$47.30	\$47.70	\$48.10	\$48.50	\$48.90	\$49.30	\$49.70	\$50.10	\$50.50	\$50.90	\$51.30	\$51.70	\$52.10	\$52.50	\$52.90	\$53.30	\$53.70
\$4.60	\$47.40	\$47.80	\$48.20	\$48.60	\$49.00	\$49.40	\$49.80	\$50.20	\$50.60	\$51.00	\$51.40	\$51.80	\$52.20	\$52.60	\$53.00	\$53.40	\$53.80	\$54.20
\$4.70	\$47.90	\$48.30	\$48.70	\$49.10	\$49.50	\$49.90	\$50.30	\$50.70	\$51.10	\$51.50	\$51.90	\$52.30	\$52.70	\$53.10	\$53.50	\$53.90	\$54.30	\$54.70

Cost Allowance Matrix --- \$ per Carcass Cwt.

PLANT DELIVERED HOGS

Use 8 week moving average of Omaha Corn, round to closest \$0.10/bu.
 Use 8 week moving average of Decatur/Central Ill. meal, round to closest \$10.00 per ton.
 For corn and soy meal prices outside the range of this matrix a \$0.10 change in corn changes
 the matrix value by \$0.68 and a \$10.00 change in meal changes the matrix value \$0.55.

44% Soy meal

Corn	\$130	\$140	\$150	\$160	\$170	\$180	\$190	\$200	\$210	\$220	\$230	\$240	\$250	\$260	\$270	\$280	\$290	\$300
\$1.40	\$43.01	\$43.56	\$44.11	\$44.66	\$45.21	\$45.75	\$46.30	\$46.85	\$47.40	\$47.95	\$48.49	\$49.04	\$49.59	\$50.14	\$50.68	\$51.23	\$51.78	\$52.33
\$1.50	\$43.70	\$44.25	\$44.79	\$45.34	\$45.89	\$46.44	\$46.99	\$47.53	\$48.08	\$48.63	\$49.18	\$49.73	\$50.27	\$50.82	\$51.37	\$51.92	\$52.47	\$53.01
\$1.60	\$44.38	\$44.93	\$45.48	\$46.03	\$46.58	\$47.12	\$47.67	\$48.22	\$48.77	\$49.32	\$49.86	\$50.41	\$50.96	\$51.51	\$52.05	\$52.60	\$53.15	\$53.70
\$1.70	\$45.07	\$45.62	\$46.16	\$46.71	\$47.26	\$47.81	\$48.36	\$48.90	\$49.45	\$50.00	\$50.55	\$51.10	\$51.64	\$52.19	\$52.74	\$53.28	\$53.83	\$54.38
\$1.80	\$45.75	\$46.30	\$46.85	\$47.40	\$47.95	\$48.49	\$49.04	\$49.59	\$50.14	\$50.68	\$51.23	\$51.78	\$52.33	\$52.88	\$53.42	\$53.97	\$54.52	\$55.07
\$1.90	\$46.44	\$46.99	\$47.53	\$48.08	\$48.63	\$49.18	\$49.73	\$50.27	\$50.82	\$51.37	\$51.92	\$52.47	\$53.01	\$53.56	\$54.11	\$54.66	\$55.21	\$55.75
\$2.00	\$47.12	\$47.67	\$48.22	\$48.77	\$49.32	\$49.86	\$50.41	\$50.96	\$51.51	\$52.05	\$52.60	\$53.15	\$53.70	\$54.25	\$54.79	\$55.34	\$55.89	\$56.44
\$2.10	\$47.81	\$48.36	\$48.90	\$49.45	\$50.00	\$50.55	\$51.10	\$51.64	\$52.19	\$52.74	\$53.28	\$53.83	\$54.38	\$54.93	\$55.48	\$56.03	\$56.58	\$57.12
\$2.20	\$48.49	\$49.04	\$49.59	\$50.14	\$50.68	\$51.23	\$51.78	\$52.33	\$52.88	\$53.42	\$53.97	\$54.52	\$55.07	\$55.62	\$56.16	\$56.71	\$57.26	\$57.81
\$2.30	\$49.18	\$49.73	\$50.27	\$50.82	\$51.37	\$51.92	\$52.47	\$53.01	\$53.56	\$54.11	\$54.66	\$55.21	\$55.75	\$56.30	\$56.85	\$57.40	\$57.95	\$58.49
\$2.40	\$49.86	\$50.41	\$50.96	\$51.51	\$52.05	\$52.60	\$53.15	\$53.70	\$54.25	\$54.79	\$55.34	\$55.89	\$56.44	\$56.99	\$57.53	\$58.08	\$58.63	\$59.18
\$2.50	\$50.55	\$51.10	\$51.64	\$52.19	\$52.74	\$53.28	\$53.83	\$54.38	\$54.93	\$55.48	\$56.03	\$56.58	\$57.12	\$57.67	\$58.22	\$58.77	\$59.32	\$59.86
\$2.60	\$51.23	\$51.78	\$52.33	\$52.88	\$53.42	\$53.97	\$54.52	\$55.07	\$55.62	\$56.16	\$56.71	\$57.26	\$57.81	\$58.36	\$58.90	\$59.45	\$60.00	\$60.55
\$2.70	\$51.92	\$52.47	\$53.01	\$53.56	\$54.11	\$54.66	\$55.21	\$55.75	\$56.30	\$56.85	\$57.40	\$57.95	\$58.49	\$59.04	\$59.59	\$60.14	\$60.68	\$61.23
\$2.80	\$52.60	\$53.15	\$53.70	\$54.25	\$54.79	\$55.34	\$55.89	\$56.44	\$56.99	\$57.53	\$58.08	\$58.63	\$59.18	\$59.73	\$60.27	\$60.82	\$61.37	\$61.92
\$2.90	\$53.29	\$53.84	\$54.38	\$54.93	\$55.48	\$56.03	\$56.58	\$57.12	\$57.67	\$58.22	\$58.77	\$59.32	\$59.86	\$60.41	\$60.96	\$61.51	\$62.06	\$62.60
\$3.00	\$53.97	\$54.52	\$55.07	\$55.62	\$56.16	\$56.71	\$57.26	\$57.81	\$58.36	\$58.90	\$59.45	\$60.00	\$60.55	\$61.10	\$61.64	\$62.19	\$62.74	\$63.29
\$3.10	\$54.66	\$55.21	\$55.75	\$56.30	\$56.85	\$57.40	\$57.95	\$58.49	\$59.04	\$59.59	\$60.14	\$60.68	\$61.23	\$61.78	\$62.33	\$62.88	\$63.42	\$63.97
\$3.20	\$55.34	\$55.89	\$56.44	\$56.99	\$57.53	\$58.08	\$58.63	\$59.18	\$59.73	\$60.27	\$60.82	\$61.37	\$61.92	\$62.47	\$63.01	\$63.56	\$64.11	\$64.66
\$3.30	\$56.03	\$56.58	\$57.12	\$57.67	\$58.22	\$58.77	\$59.32	\$59.86	\$60.41	\$60.96	\$61.51	\$62.05	\$62.60	\$63.15	\$63.70	\$64.25	\$64.79	\$65.34
\$3.40	\$56.71	\$57.26	\$57.81	\$58.36	\$58.90	\$59.45	\$60.00	\$60.55	\$61.10	\$61.64	\$62.19	\$62.74	\$63.29	\$63.84	\$64.38	\$64.93	\$65.48	\$66.03
\$3.50	\$57.40	\$57.95	\$58.49	\$59.04	\$59.59	\$60.14	\$60.68	\$61.23	\$61.78	\$62.33	\$62.88	\$63.42	\$63.97	\$64.52	\$65.07	\$65.62	\$66.16	\$66.71
\$3.60	\$58.08	\$58.63	\$59.18	\$59.73	\$60.27	\$60.82	\$61.37	\$61.92	\$62.47	\$63.01	\$63.56	\$64.11	\$64.66	\$65.21	\$65.75	\$66.30	\$66.85	\$67.40
\$3.70	\$58.77	\$59.32	\$59.86	\$60.41	\$60.96	\$61.51	\$62.05	\$62.60	\$63.15	\$63.70	\$64.25	\$64.79	\$65.34	\$65.89	\$66.44	\$66.99	\$67.53	\$68.08
\$3.80	\$59.45	\$60.00	\$60.55	\$61.10	\$61.64	\$62.19	\$62.74	\$63.29	\$63.84	\$64.38	\$64.93	\$65.48	\$66.03	\$66.58	\$67.12	\$67.67	\$68.22	\$68.77
\$3.90	\$60.14	\$60.68	\$61.23	\$61.78	\$62.33	\$62.88	\$63.42	\$63.97	\$64.52	\$65.07	\$65.62	\$66.16	\$66.71	\$67.26	\$67.81	\$68.36	\$68.90	\$69.45
\$4.00	\$60.82	\$61.37	\$61.92	\$62.47	\$63.01	\$63.56	\$64.11	\$64.66	\$65.21	\$65.75	\$66.30	\$66.85	\$67.40	\$67.95	\$68.49	\$69.04	\$69.59	\$70.14
\$4.10	\$61.51	\$62.05	\$62.60	\$63.15	\$63.70	\$64.25	\$64.79	\$65.34	\$65.89	\$66.44	\$66.99	\$67.53	\$68.08	\$68.63	\$69.18	\$69.73	\$70.27	\$70.82
\$4.20	\$62.19	\$62.74	\$63.29	\$63.84	\$64.38	\$64.93	\$65.48	\$66.03	\$66.58	\$67.12	\$67.67	\$68.22	\$68.77	\$69.32	\$69.86	\$70.41	\$70.96	\$71.51
\$4.30	\$62.88	\$63.42	\$63.97	\$64.52	\$65.07	\$65.62	\$66.16	\$66.71	\$67.26	\$67.81	\$68.36	\$68.90	\$69.45	\$70.00	\$70.55	\$71.10	\$71.64	\$72.19
\$4.40	\$63.56	\$64.11	\$64.66	\$65.21	\$65.75	\$66.30	\$66.85	\$67.40	\$67.95	\$68.49	\$69.04	\$69.59	\$70.14	\$70.68	\$71.23	\$71.78	\$72.33	\$72.88
\$4.50	\$64.25	\$64.79	\$65.34	\$65.89	\$66.44	\$66.99	\$67.53	\$68.08	\$68.63	\$69.18	\$69.73	\$70.27	\$70.82	\$71.37	\$71.92	\$72.47	\$73.01	\$73.56
\$4.60	\$64.93	\$65.48	\$66.03	\$66.58	\$67.12	\$67.67	\$68.22	\$68.77	\$69.32	\$69.86	\$70.41	\$70.96	\$71.51	\$72.06	\$72.60	\$73.15	\$73.70	\$74.25
\$4.70	\$65.62	\$66.16	\$66.71	\$67.26	\$67.81	\$68.36	\$68.90	\$69.45	\$70.00	\$70.55	\$71.10	\$71.64	\$72.19	\$72.74	\$73.29	\$73.84	\$74.38	\$74.93

CONTRACT ADDENDUM

Pursuant to contract No. _____ the undersigned producer hereby estimates that they will supply the following quantity of hogs to Hormel Foods under this program:

_____ head per month beginning through _____

An additional _____ head per month beginning through _____ subject to expansion plans, construction schedules, financing, permits, zoning, etc. This increases the total per month to _____

An additional _____ head per month beginning through _____ subject to expansion plans, construction schedules, financing, permits, zoning, etc. This increases the total per month to _____

An additional _____ head per month beginning through _____ subject to expansion plans, construction schedules, financing, permits, zoning, etc. This increases the total per month to _____

This contract covers a total of _____ hogs delivered over a _____ year period.

Agreed to this _____ day of _____ Notwithstanding the foregoing, any additional hogs subject to expansion plans, etc. where delivery of the hogs starts after January 1, 2000 are subject to prior written approval of Hormel Foods.

("Producer")

HORMEL FOODS CORPORATION
("Hormel Foods")

By:

By:

Its:

Its:

By:

Its: